



The Blue Dog Coalition



Blue Dog Pay As You Go Budget Alternative

The Blue Dog budget combines the spending restraint in the President's budget with strong budget enforcement measures and responsible tax policy to cut the deficit in half in two years and balance the budget by 2012. The budget focuses on policies for next year, deferring action on additional tax cuts or other proposals that would create additional budgetary obligations in future years based on projections until Congress and the President have taken action to reduce the deficit.

Putting the budget on a path to a balanced budget

- Rely on a combination of spending restraint, restructuring of enacted tax cuts and making extension of tax cuts after 2010 subject to pay as you go rules to reduce the deficit and achieve a balanced budget by 2012.
- The deficit would be cut in half in two years.

Discretionary spending:

- Set overall discretionary spending totals at the levels recommended by the President.
- Set aside \$50 billion for a supplemental request by the President for military operations in Iraq and Afghanistan
- Fully funds the President's defense spending request in his budget
- Increases funding for veterans programs next year by \$600 million more than the Republican budget and \$1.8 billion more than the President's request
- Provides \$400 million more than the Republican budget and \$900 million more than the President's request for education in fy2005
- Restores the cuts below last year's appropriation for discretionary agriculture programs proposed by the President and incorporated into the Republican budget
- Restores cuts in Manufacturing Enhancement Program, Advanced Technology Program and SBA 7a loans proposed by the President
- Allows spending levels to be adjusted for the highway bill reauthorization if the legislation provides increases in funding that are fully offset

Restructure tax cuts to benefit middle class

- Extends family tax relief expiring after 2004 (full child tax credit, marriage penalty relief, expanded 10% bracket) for one year, with further extensions allowed under pay as you go rules
- Assume permanent estate tax relief for family farms and small businesses
- Suspends reductions in top two marginal tax rates through 2010
- Directs the Ways and Means Committee to report legislation closing corporate tax loopholes, increasing tax compliance and other tax changes to offset additional tax relief for families and small businesses
- Congress could extend expiring tax cuts if they are offset under pay as you go rules or if the budget is balanced and making the tax cuts permanent would not put the budget back into deficit.

Enforcing fiscal discipline

- Requires the House to have a separate vote on legislation increasing the debt limit by \$150 billion. Restricts further increases in the debt limit, other than increases necessary to meet obligations for military operations, to no more than \$100 billion at a time until CBO certifies that Congress and the President have enacted policies which would put the budget on path to achieve unified balance by 2012.
- Extends pay as you go rules for all legislation which would increase the deficit through increases in mandatory spending or reductions in revenues
- Establishes discretionary spending limits enforced by sequestration for the next two fiscal years at the levels proposed by the President
- Requires a separate vote in the House to waive budget rules, including paygo rules and discretionary spending limits
- Establishes a point of order against legislation with costs that begin outside the budget window
- Calls for President and Congress to consider changes to prescription drug legislation if actual costs are above the \$400 billion in the budget last year
- Calls for President and Congress to consider legislation offsetting the increase in the deficit if actual revenues are below the levels assumed in the budget last year
- Prohibit the use of “directed scorekeeping” in which legislation directs CBO to use certain assumptions to provide a more favorable budget estimate

Other provisions

- Requires the House Armed Services Committee to issue recommendations for savings within the defense budget for programs that are low priority or wasteful that could be reallocated to programs increasing combat capability of U.S. military forces
- Establishes a reserve fund for legislation increasing survivors benefits under the Military Survivors Benefit Program if the legislation is fully offset
- Establishes a reserve fund for legislation improving access to health insurance by the uninsured if the legislation is fully offset
- Establishes a reserve fund which would provide additional funding for local law enforcement if the House approves legislation for new spectrum auctions
- Requires that the Congressional Budget Office provide an estimate of the macro-economic effect of legislation increasing or reducing the budget deficit.